

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015



THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

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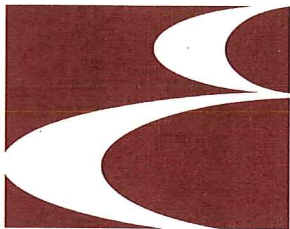
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E.S. Evans and Company

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February 27, 2017

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Stockholders
The Ridgeville Telephone Company
Box A, Road 20B
Ridgeville Corners, Ohio 43555

We have reviewed the accompanying consolidated financial statements of The Ridgeville Telephone Company (an Ohio corporation) and Subsidiary which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United State of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in Schedules #1 through #7 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

E. L. Evans and Company

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

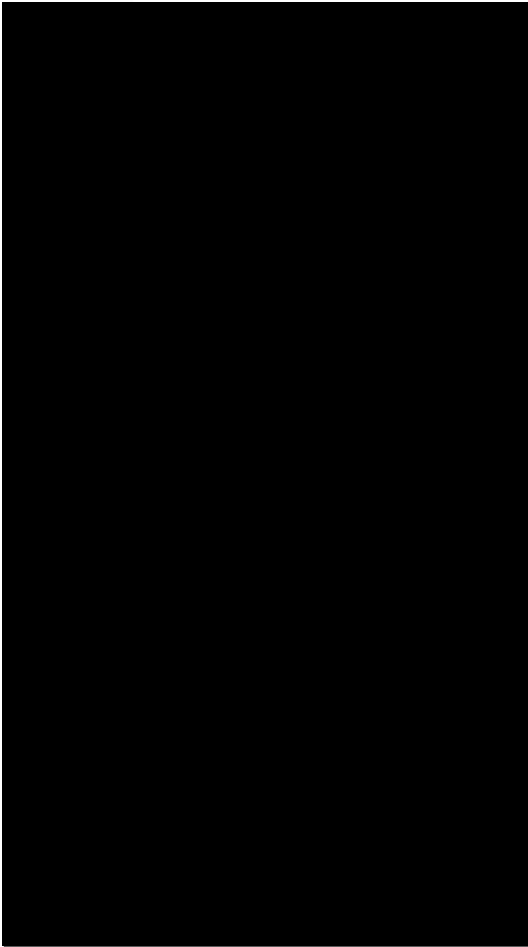
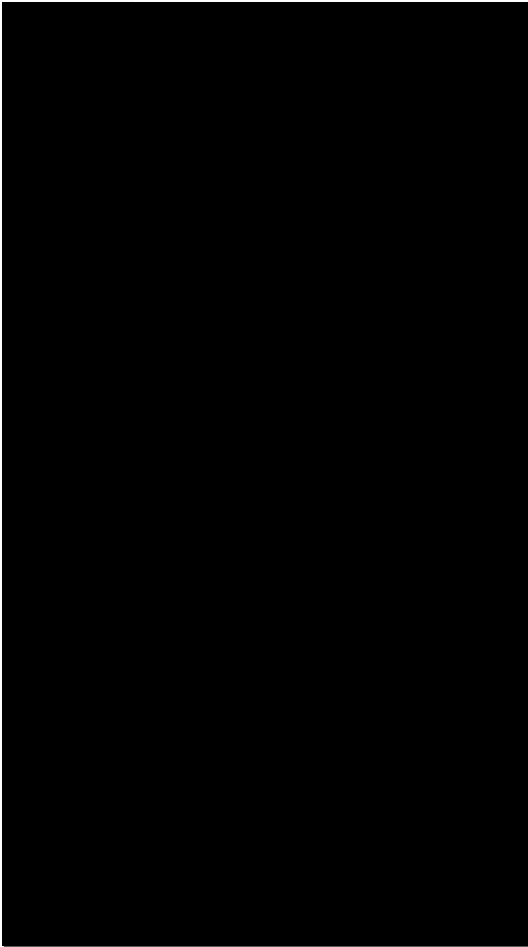
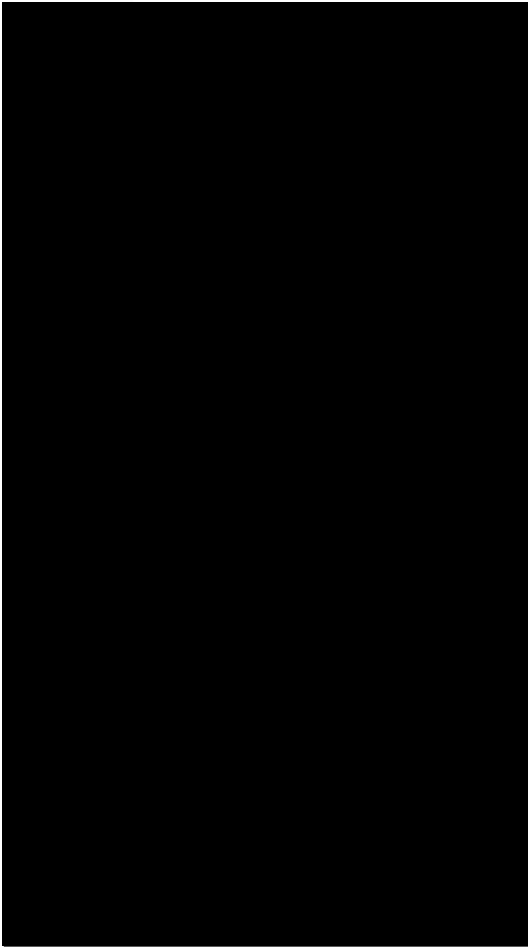
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2016	2015
<u>Current Assets:</u>		
Cash		
Subscriber Accounts Receivable - Note 3		
Other Accounts Receivable - Note 3		
Materials and Supplies - Note 4		
Prepaid Federal Income Tax		
Prepaid NTCA Retirement and Security - Note 5		
Other Prepaid Expenses		
Total Current Assets		
<u>Property, Plant and Equipment:</u> Note 6		
Land		
Construction in Process		
Plant and Equipment		
Accumulated Depreciation		
Total Net Property, Plant and Equipment		
<u>Other Assets:</u>		
Other Investments - Note 7		
NISC Patronage Receivable		
Total Other Assets		
<u>Total Assets</u>		

See Accompanying Notes and Independent Accountants' Review Report

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31,	
	2016	2015
<u>Current Liabilities:</u>		
Accounts Payable		
Unearned Revenue		
Customer Deposits		
Accrued Federal Income Tax		
Total Current Liabilities		
<u>Other Liabilities:</u>		
Deferred Federal Income Taxes - Note 8		
Total Other Liabilities		
<u>Stockholders' Equity:</u>		
Common Stock - Note 10		
Premium on Common Stock		
Retained Earnings		
Less: Cost of Treasury Stock - Note 10		
Total Stockholders' Equity		
<u>Total Liabilities and Stockholders' Equity</u>		

See Accompanying Notes and Independent Accountants' Review Report

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

CONSOLIDATED INCOME STATEMENTS

For the Years Ended
December 31,

2016

2015

Operating Revenue:

Local Voice Network Service Revenue
Voice Network Access Revenue
RTEC Revenue
LD Network Service Revenue
Billing and Collection Revenue
Nonregulated Revenue
Miscellaneous Revenue
Uncollectible Revenue
Total Operating Revenue

Operating Expense:

Plant Specific Operations Expense
Plant Nonspecific Operations Expense
Depreciation Expense - Note 6
Customer Operations Expense
Corporate Operations Expense
Total Operating Expense
Operating Income before Taxes

Operating Taxes:

Federal Income Tax
Provision for Deferred Income Taxes - Note 8
Other Operating Taxes
Total Operating Taxes
Net Operating Income

Non-operating Income and Expense:

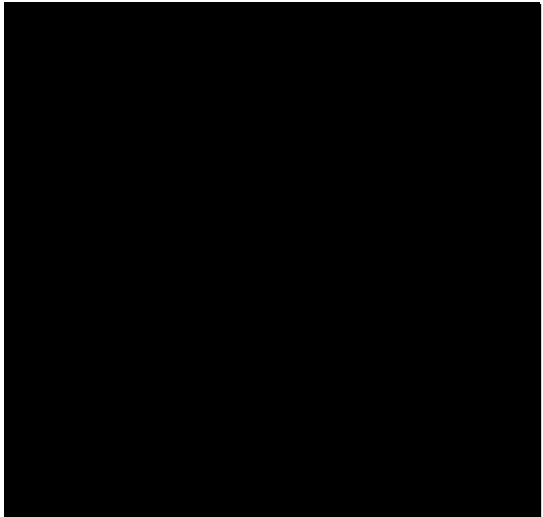
Interest and Dividend Income
Income/(Loss) from Equity Investments - Note 7
Loss on Disposition of Assets
Miscellaneous Income
Total Non-operating Income and Expense

Net Income

See Accompanying Notes and Independent Accountants' Review Report

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	For the Years Ended December 31,	
	2016	2015
<u>Retained Earnings</u> - Beginning of Year		
Net Income		
Dividends		
<u>Retained Earnings</u> - End of Year		

See Accompanying Notes and Independent Accountants' Review Report

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2016	2015
<u>Cash Flow from Operating Activities:</u>		
Net Income		
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation		
(Gain)/Loss from Equity Investments		
Loss on Retirement of Assets		
Provision for Deferred Federal Income Taxes		
Changes in Operating Assets and Liabilities:		
Decrease in Subscriber Accounts Receivable		
Decrease in Other Accounts Receivable		
(Increase) in Materials and Supplies		
(Increase) in Prepaid Expenses		
Increase/(Decrease) in Accounts Payable		
Increase/(Decrease) in Unearned Revenue		
(Decrease) in Customer Deposits		
Increase/(Decrease) in Accrued Taxes		
Net Cash Provided by Operating Activities		

See Accompanying Notes and Independent Accountants' Review Report

(continued)

REDACTED - FOR PUBLIC INSPECTION

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2016	2015
<u>Cash Flow from Investing Activities:</u>		
Purchase of Plant and Equipment		
(Increase) in NISC Patronage Receivable		
Net Cash Used in Investing Activities		
<u>Cash Flow from Financing Activities:</u>		
Purchase of Treasury Stock		
Proceeds from Reissuance of Treasury Stock		
Payment of Dividends		
Net Cash Used in Financing Activities		
Increase in Cash		
<u>Beginning Cash Balance</u>		
<u>Ending Cash Balance</u>		

See Accompanying Notes and Independent Accountants' Review Report

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REDACTED - FOR PUBLIC INSPECTION

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The Ridgeville Telephone Company provides local exchange telephone services to the Ridgeville Corners and Archbold area. The Company also provides interexchange access and billing and collection services for a number of long-distance telephone companies. The Company's subsidiary, RTEC Communications, Inc. (RTEC), provides cable television and data circuits to the surrounding area.

The Public Utilities Commission of Ohio (PUCO) regulates the operations and rates charged by the Company for local telephone services. The PUCO does not have jurisdiction over the rates or operations of the Company's nonregulated telephone business (involving the sales and leasing of customer premise telephone equipment and customer premise telephone wiring) or RTEC.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, RTEC, after all eliminations of significant intercompany accounts and transactions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company accounts for its income taxes using the *Income Taxes* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

Subsequent Events

Subsequent events have been evaluated through February 27, 2017, which is the date the financial statements were available to be issued. Nothing material was noted.

THE RIDGEVILLE TELEPHONE COMPANY AND SUBSIDIARY
RIDGEVILLE CORNERS, OHIO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 2 - Fair Values of Financial Instruments

Disclosure of fair value information about certain financial instruments, whether or not recognized in the balance sheet for which it is practicable to estimate that value, is required by the *Disclosure About Fair Value of Financial Instruments* topic of the FASB Accounting Standards Codification. The following methods and assumptions were used in estimating fair values:

Cash and Temporary Investments - The carrying amount reported in the balance sheet approximates fair value.

Note 3 - Subscriber Accounts Receivable

The Company recognizes all revenue earned through the end of the year regardless of when subscribers are billed.

Amounts due from local exchange telephone subscribers are recorded as Subscriber Accounts Receivable, while the amounts due from the long-distance telephone companies are included in Other Accounts Receivable.

Bad debts arising from non-payment of telephone bills are written off utilizing the direct write-off method.

Note 4 - Materials and Supplies

Materials and supplies are valued at the lower of cost, determined on a first-in, first-out basis, or market.

Note 5 - Retirement Plan

The Company maintains a qualified defined benefit employee pension plan covering all eligible employees. The plan is sponsored by the National Telephone Cooperative Association (NTCA). The Company will make annual contributions to the plan which are determined by an actuary. Total pension expense for 2016 and 2015 was [REDACTED] respectively.

The Company made a [REDACTED] prepayment to the NTCA Retirement and Security (R & S) Program in 2016. The purpose of the prepayment is to offset surcharge contributions over the next several years. The prepaid funds will grow with R & S Program investment returns, however there is no guaranteed rate of return.